

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 3237 - HB 3475

March 5, 2012

SUMMARY OF BILL: Classifies a facility, which extracts, purifies, dehydrates, or treats landfill methane to render it eligible for transportation by natural gas pipelines, as a qualified pollution control facility for the purposes of assessing value for ad valorem taxes.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$67,400

Assumptions:

- Based on information provided by the Comptroller of the Treasury, the provisions of this bill will remove the requirement that qualified pollution control facilities obtain a certificate from the Department of Environment and Conservation and will have the effect of classifying additional facilities currently treating landfill methane gas as a qualified pollution control facility; thereby, reducing the tax rate on its tangible personal property to one-half (0.5) percent.
- Based on information provided by the Comptroller, one facility in Hawkins County is treating landfill methane to render it quality eligible for transport by a natural gas pipeline. The classification rate for industrial and commercial real property is 40 percent. The provisions of this bill will reduce the tax rate for one private facility from 40 percent of \$2.345 per \$100 of assessed value to 0.5 percent of \$2.345 per \$100 of assessed value.
- According to the Comptroller, the estimated appraised value for the Hawkins County facility is \$700,000.
- Under current law, the amount of tax due is \$6,566 $[(\$700,000 / \$100) \times 40.0\% \times \$2.345]$.
- Under this bill, the amount of tax due will be \$82 $[(\$700,000 / \$100) \times 0.5\% \times \$2.345]$.
- The recurring decrease in local revenue is estimated to be \$6,484 $(\$6,566 - \$82)$.
- The classification rate for tangible personal property is 30 percent. The provisions of this bill will reduce the tax rate for one private facility from 30 percent of \$2.3450 per \$100 of assessed value to 0.5 percent of \$2.3450 per \$100 of assessed value.
- According to the Comptroller, the estimated appraised value for the tangible personal property of the Hawkins County facility is \$1,500,000.
- Under current law, the amount of tax due is \$10,553 $[(\$1,500,000 / \$100) \times 30.0\% \times \$2.345]$.

- Under this bill, the amount of tax due will be \$176 $[(\$1,500,000 / \$100) \times 0.5\% \times \$2.345]$.
- The recurring decrease in local revenue is estimated to be \$10,377 (\$10,553 - \$176).
- Based on information provided by the Comptroller's Office for similar legislation in 2011, there are approximately four facilities that could be affected by this proposed legislation. Three of the four facilities are owned by a local government thereby making the real property exempt from taxation. One facility is privately owned and its real property is subject to taxation. Private entities operating on these landfills have tangible personal property subject to taxation.
- The total recurring decrease in local revenue for the Hawkins County facility is estimated to be \$16,861 (\$6,484 + \$10,377). If assessed values for three additional facilities were reduced, it is estimated that the amount of local revenue loss would be similar to the decrease realized by Hawkins County.
- The total recurring decrease in local revenue for four facilities statewide is estimated to exceed \$67,444 (\$16,861 x 4 facilities).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/kml